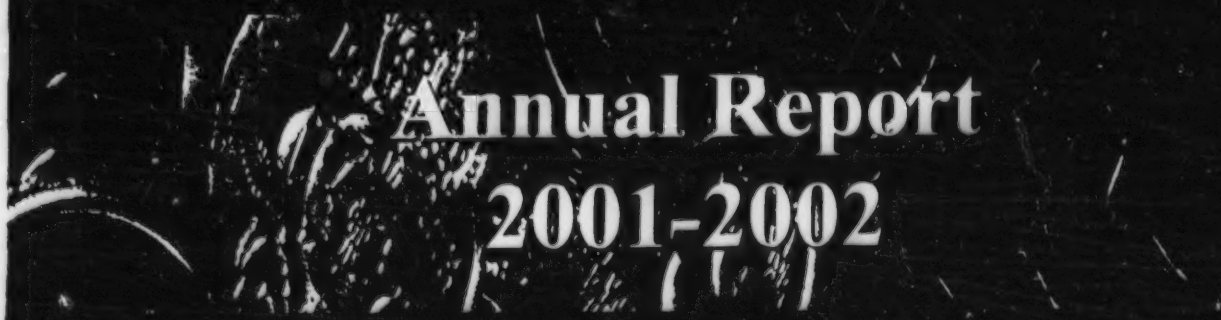
Land Management Services



Annual Report 2001-2002

Manitoba

a Special Operating Agency of Manitoba Transportation and Government Services

MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

Room 203
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

July 15, 2002

The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

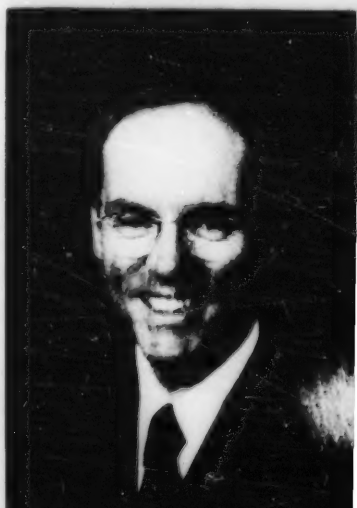
I have the honour of presenting the Annual Report of Land Management Services (LMS) for the fiscal year ended March 31, 2002.

LMS, formerly the Land Acquisition Branch was created in 1965 as part of the Department of Public Works, with the responsibility of bringing consistency and uniformity to the process of real estate acquisition by government. In 1993, the head office was decentralized from Winnipeg to Portage la Prairie while regional offices continue to be located in Brandon and Dauphin. Effective April 1, 1995, the Land Acquisition Branch was designated a Special Operating Agency using the operating name of Land Management Services.

As a Special Operating Agency, LMS has been commended for its past performances and achievements and continually strives to maintain its position as the supplier of choice for Centralized Real Estate Services.

Respectfully submitted,

Steve Ashton
Minister Responsible for
Land Management Services Agency



Manitoba

A/Deputy Minister of
Government Services

332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 15, 2002

The Honourable Steve Ashton
Minister Responsible for the
Land Management Services Agency
Transportation and Government Services
Room 203 Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit, for your consideration, the Seventh Annual Report of the Land Management Services Agency for the fiscal year ended March 31, 2002.

The Agency has made positive progress in providing improvements to its operations, services and outstanding financial performance in the 2001/2002 fiscal year, while operating under the Special Operating Agency (SOA) initiative.

The Agency's Advisory Board is pleased with the success of the Agency and encouraged by the commitment of its employees and the support of its stakeholders.

Respectfully submitted,

Gerry Berezuk
A/Deputy Minister and Chairperson of
the Land Management Services Advisory Board

103-00387/

LMS

LAND MANAGEMENT SERVICES

308 - 25 Tupper Street North
Portage la Prairie MB R1N 3K1

Writer's Direct Telephone: (204) 239-3561
Facsimile: (204) 239-3560
Email: rcsversko@gov.mb.ca

July 31, 2002

Gerry Berezuk
Acting Deputy Minister
Manitoba Government Services
332 Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Deputy Minister:

I am pleased to present the Seventh Annual Report of Land Management Services Agency (LMS) for the fiscal year ended March 31, 2002.

This report provides an overview of the Agency and outlines our accomplishments during our sixth year (2001/2002) as a Special Operating Agency (SOA).

Major accomplishments for the year included the completion of the voluntary buyout program for the Department of Conservation in the St. Mary's, Greenview and Howden Road areas, as well as continued success in the assessment review process in the City of Winnipeg.

The management and staff of LMS have worked together to make the Agency an efficient customer oriented organization providing clients with timely cost-effective services. The staff is to be commended for their professionalism and dedication to customer service.

Respectfully submitted,

R.P. Csversko, B.A., AACI, P.App
Chief Operating Officer

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Mission Statement

Land Management Services is committed to providing quality comprehensive land management services to various levels of Government Departments, Boards, Commissions, Corporation and Agencies.

Manitoba

Message from the Chief Operating Officer

On behalf of the management and staff, I am pleased to report on the activities, challenges and opportunities of Land Management Services (LMS).

2001/2002 represents the seventh year of operation for LMS as a Special Operating Agency (SOA).

LMS has identified succession planning and staffing as a critical area for the Agency. LMS is currently in mid stream of the change over and this exchange will continue well into the next fiscal year. This has been demanding on all LMS personnel, as with any major change having long-term staff leaving either through retirement or lifestyle changes has been challenging.

The Agency has held Treasury Board approved chargeable rates and continues to deliver cost saving to the Province through the delivery of services at rates lower then private sector market rates and assessment review audits.

Highlights of the Year

LMS has achieved for its clients, St. Boniface College and Manitoba Housing and Renewal Corporation, in co-operation with the City of Winnipeg, tax assessment reductions of $6,748,000.

The Agency has played a major role in acquiring land for the Department of Conservation. This was accomplished through the voluntary buyout program south of Winnipeg in the St. Mary's Road, Greenview and Howden Road areas. LMS continues to be involved in Transportation projects such as the Brandon by-pass and the twinning of Highway 59.

LMS has achieved it budgeted target for net income. The Agency projected a net income of $152, although revenues were lower than anticipated, through a concentrated effort by staff and management this goal was accomplished.

LMS acknowledges the contribution staff has put forth to make the Agency a success. We welcome new employees and hope for a bright and fruitful future and wish departing staff who have helped to make this agency a success over the years a fond farewell.

Rae P. Csversko
Chief Operating Officer, B.A., AACI, P.App

1. Agency Profile

1.1 Mandate

The Land Acquisition Branch was created in 1965 as part of the then Department of Public Works. The Land Acquisition Act was passed into law in the same year to bring consistency and uniformity to the process of real estate acquisition by Government. Part I of The Land Acquisition Act established the Land Acquisition Branch and Part II established the Land Value Appraisal Commission.

The Land Acquisition Branch was made responsible for the appraisal and acquisition of real property for Departments and Government Agencies, as well as the disposal of surplus buildings and land acquired on behalf of Government by the Branch.

The head office was decentralized to Portage la Prairie in April 1993 with a regional office continuing to be located in Dauphin, with appraisers located in Winnipeg, Brandon, Dauphin and Portage la Prairie.

Under the Act, the Minister responsible for the Branch is in charge of all matters relating to the acquisition of land or the expropriation of land by any authority. However, this does not include The Manitoba Agricultural Credit Corporation, The Manitoba Development Corporation or a utility.

1.2 Agency Development

Effective April 1, 1995, the Land Acquisition Branch, using the operating name of Land Management Services, was designated as a Special Operating Agency under the Special Operating Agencies Financing Authority Act, Cap.S185, C.C.S.M., and operates pursuant to a charter approved by the Lieutenant Governor in Council.

LMS continues to be part of Transportation and Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and the policy direction of the Deputy Minister of Government Services and Emergency Measures and the Minister of Transportation and Government Services. The operations of the Agency continue to be subject to relevant legislation, regulations, and administrative policy, except where specific exemptions have been provided for in its charter to meet business objectives. LMS is economically dependent on the Province of Manitoba as it receives most of its revenues and all of its capital financing requirements from the Province.

The daily operations of LMS are managed by the Chief Operating Officer, who reports directly to the Assistant Deputy Minister of Supply and Services Division of Transportation and Government Services. The Chief Operating Officer provides quarterly financial reports, operational status reports, annual business plans and annual reports, to the Advisory Board for review and to the Minister for final approval.

The Advisory Board has commended the Agency for its past performance and achievements.

1.3 Our Mission

To foster and promote Land Management Services as "The One Stop Real Estate Service" to various levels of Government Departments, Boards, Commissions, Corporations and Agencies.

1.4 Our Goals

To be the prime supplier of centralized real estate services by providing an effective blend of knowledgeable staff in a cost-effective and timely manner.

1.5 Our Objectives

Long-Term Agency Objectives

- To be a proactive participant in identifying properties surplus to Government requirements.
- To market for sale, all properties, identified as surplus to Government requirements and to assist clients by leasing those properties not immediately required for program activities.
- To review the appropriateness of assessments levied against Government properties and recommend those clients file appeals as required.
- To provide efficient and effective real estate services that offer better value for money than clients could otherwise achieve.
- To achieve financial and other performance targets as the Minister may from time to time decide, through consultation with the Deputy Minister of Government Services and Emergency Measures and the Assistant Deputy Minister of Supply and Services.
- To run Agency operations, as far as practical, according to best business practices.
- To maintain and renew equipment and other assets, in light of operational needs, using appropriate methods of investment.
- To follow best public and private sector employment practices and to improve staff involvement to the greatest degree practical, in all aspects of operations.
- To continually assess the Agency's policies and procedures in relation to overall efficiency and effectiveness.

Short Term Objectives

- To meet the expectations of a satisfied, informed and diverse client base.
- To ensure that fair, equitable and consistent business practices are performed.
- To ensure that an accessible, safe and secure environment is maintained for all record storage.
- To continue to foster and promote a positive work environment for staff members.

1.6 Operational Review

The fiscal year of 2001/2002 marks the start of a major transitional period for Land Management Services. The Agency has recognized, defined and is in the initial process of implementing strategies to ensure continuity of service and delivery of the same high degree of expertise its clients expect and rely on.

While this has been occurring behind the scenes, LMS has delivered on several large projects dealing with flood protection, time sensitive projects for Crown corporations, and met normal demands from the Agency's regular client base.

1.7 Systems: Information and Technology Plan

The Agency, working in conjunction with the Information and Technology Services Branch of the Department of Transportation and Government Services have strengthened in-house resources, moved the systems and control entirely in-house and used expertise from various areas to improve system performance. This has resulted in savings of sixty-five (65%) percent over previous years expenditures. Continuation of this process is ongoing, problem areas are being slowly eliminated, along with enhancements to better service employee and client requirements. This process will extend into the following year.

Data conversion of 48,000 legal pockets for the protection of vital information continues, with completion at approximately fifty (50%) percent. The process is to convert this data onto compact disc for permanent back up storage of the paper documents and to then transfer this information on to a storage medium where the database of these historical transactions may be easy accessed by Agency employees for future reference. The number of average pages per pocket for the year increased slightly from the previous year to 25 from 24 pages, this equals a five hundred (500%) percent increase from original estimates of five page per pocket. The transfer of this information onto a storage medium will begin next fiscal year.

1.8. Human Resources

LMS identified succession issues and is implementing its plan of action. The Agency is replacing staff prior to personnel retiring, therefore training and transfer of knowledge may take place in an orderly fashion. Matters that are being addressed are reorganization of the work structure to reflect workflow more accurately, reduce redundancy and improve efficiencies. This process also takes into account the change in client requirements, employee replacement expertise, and cross training for a more flexible workforce.

The two areas where the impact of these transitions have been the greatest is the appraisal and acquisition business area which have carried several vacant positions and more are expected in the near future; along with the processing business area.

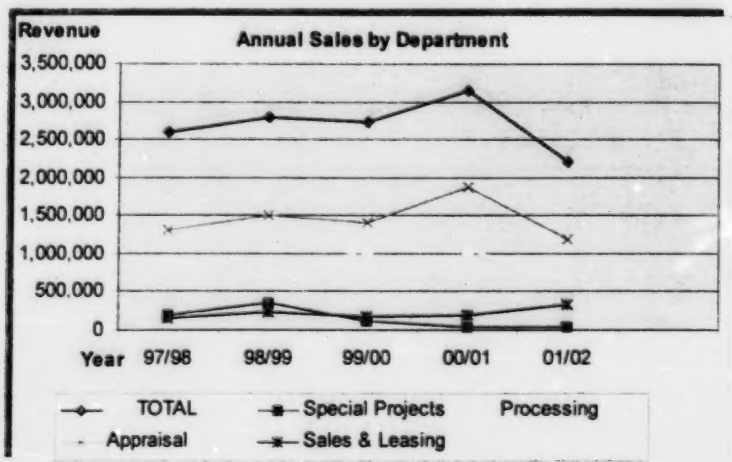
LMS continues to nurture employee involvement, fostering an environment of employee empowerment. This is accomplished by promoting the attitude of employee development through education, implementing ideas and procedures brought forward from staff via regular meetings and encouraging discussions with individuals whose suggestions may resolve problems, issues, or increase efficiencies.

1.9 Marketing

The Agency has purposely delayed implementation of the defined marketing strategy. This decision was based on the premise the Agency did not currently have the ability to train new staff properly, complete current workload, meet expected regular client demands and expand simultaneously. Therefore, rather than risk not meeting regular client requirements or new client demands, the Agency made the decision to delay implementation of the identified business plan strategy. Once resources have been re-established the Agency will initiate action in this area.

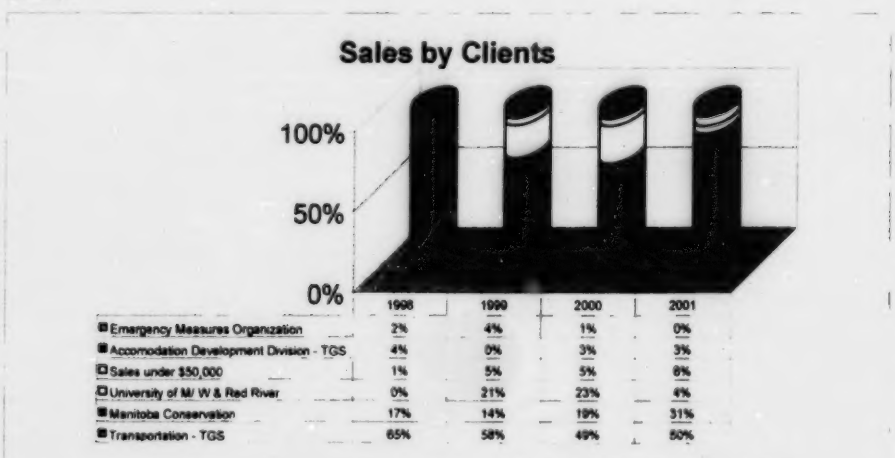
LMS recognizes the importance of this issue, as an analysis of our sales (Annual Sales by Department) over the last six years substantiates what has been stipulated in our business plan. Our market has been impacted due to reductions in departmental budgets and programs that directly affect the Agency's revenue earning capabilities.

Chart 1



An analysis of our client base (Sales by Clients) over the last four years also substantiates the above. The Agency was able to provide services for the ongoing flood programs that service all levels of Government from Federal to Municipal and City through Manitoba Conservation.

Chart 2



	1998	1999	2000	2001
Emergency Measures Organization	2%	4%	1%	0%
Accomodation Development Division - TGS	4%	0%	3%	3%
Sales under $50,000	1%	5%	5%	8%
University of M/ W & Red River	0%	21%	23%	4%
Manitoba Conservation	17%	14%	19%	31%
Transportation - TGS	65%	58%	49%	50%

2. Operational Status

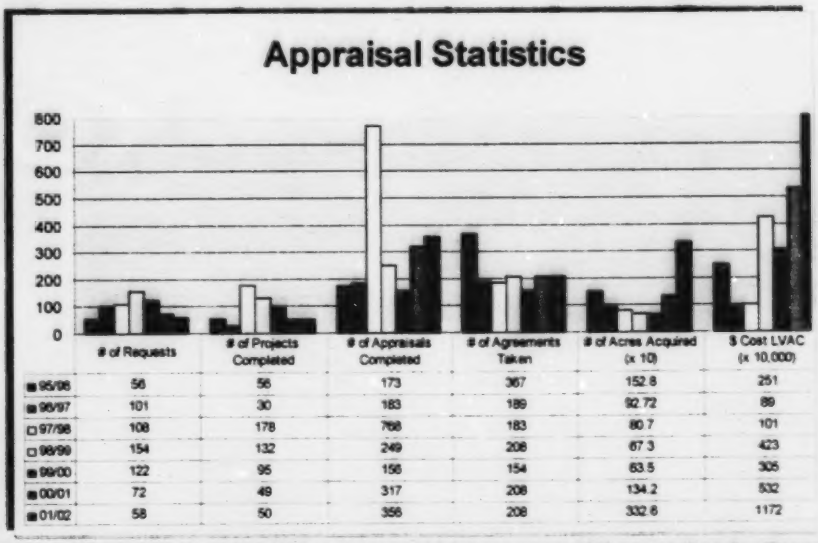
2.1 Appraisal and Acquisition Activities

The focus of service within this area is the appraisal and acquisition of real property either by agreement or expropriation, easement acquisition, the valuation of Crown property for disposal purposes and property assessment reviews.

This area had two main flood programs designated as the St. Mary's program and the Anomalies program, coordinated through Manitoba Conservation with representation from all levels of Government. The Agency's level of performance in meeting deadlines, achieving budget, and the quality and detail of reporting was acknowledged favourably by the Tri Party Committee.

The last two years have seen the number of client requests for service and the number of projects completed lower than the previous four years. The complexity, the number of individual agreements within the program, the number of acres purchased, and the total value of property purchased has risen (Chart 3). Two projects have attributed partially to this outcome, the St. Mary's project for 27agreements valued at $4,830,000 and the Anomalies program for 10 agreements valued at $1,100,000. The Transportation projects were an accumulation of many new projects and the continuation or finalization of previous ongoing projects.

Chart 3



The client categorization of the 208 agreements taken were 107 properties for Transportation, 95 properties for Water Resources Branch, two for Manitoba Conservation, two for Turtle River Conservation District, and one each for Water Services Board and the Emergency Measures Organization.

The Agency continues to be successful in the Assessment review area, a refund for approximately $190,000 was received by Intergovernmental Affairs, along with St. Boniface College and Manitoba Housing & Renewal Corporation receiving a combined reduction in assessments of $6.75 million dollars for the year. This brings the Agency's total in representing its clients for assessment reduction to $228 million dollars, which converts to an annual savings for the Province of $14.4 million dollars since becoming an SOA in 1995.

2. Operational Status

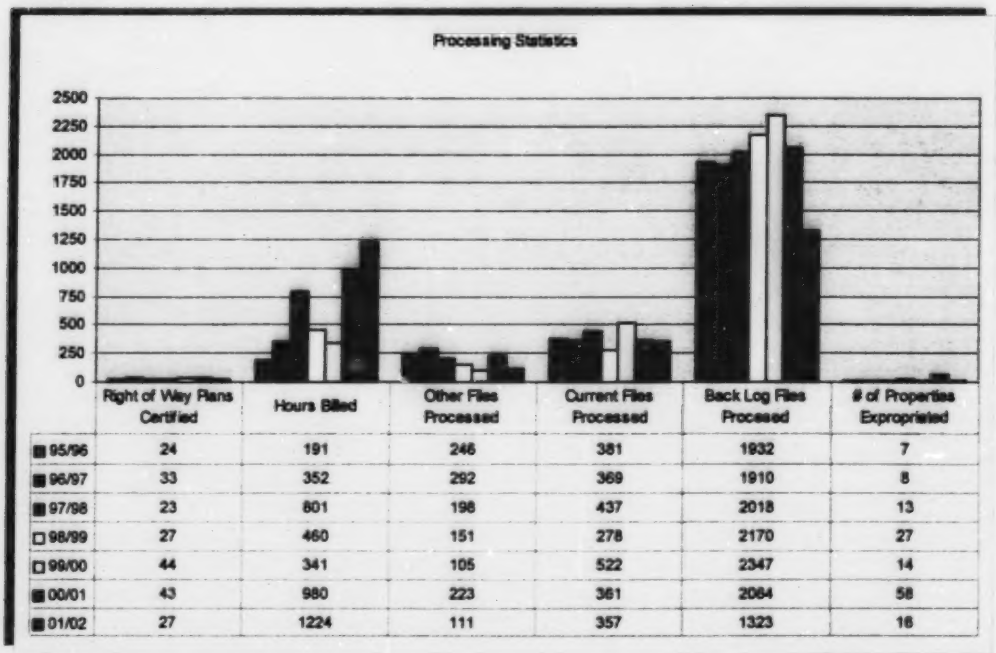
2.2 Processing Activities

The focus of service in this area is the performance of all paralegal work on behalf of clients. This entails all duties including production of all legal documentation required, ensuring policies, procedures, and statutory requirements are met when acquiring real property through agreement or expropriation. The section also directs all payment from the client departments to the beneficiary.

This section is in a major transition, with training of new employees, new duties assigned associated with succession/reorganization, and the difficulties encountered with completing the clean up of a large backlog project dealing with historical transactions.

The combination of the above and coupled with a change in percentage mix of service charges versus hourly charges provided by the section, both revenues (Chart 1) and processing activities (Chart 4) have declined. The Agency anticipates stabilization of client request for services and forecast an increase in future years.

Chart 4



	Right of Way Plans Certified	Hours Billed	Other Files Processed	Current Files Processed	Back Log Files Processed	# of Properties Expropriated
95/96	24	191	246	381	1932	7
96/97	33	352	292	369	1910	8
97/98	23	801	198	437	2018	13
98/99	27	460	151	278	2170	27
99/00	44	341	105	522	2347	14
00/01	43	980	223	361	2084	58
01/02	27	1224	111	357	1323	16

A recap of the year's performance indicates that the section finalized 1,680 files consisting of 357 current files and 1,323 backlog files. There were 312 survey plans registered, 27 survey plans certified for registration, 16 owners have been expropriated on four projects and 1,224 hours of work have been performed on behalf of clients. An additional 111 files requiring miscellaneous processing functions at the request of client departments or affected owners were completed.

2. Operational Status

2.3 Sales and Leasing Activities

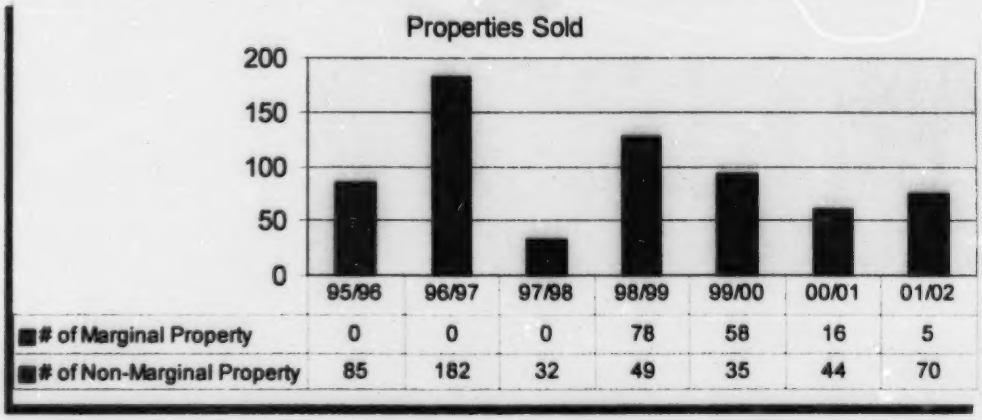
The section's function is to dispose of surplus Government property in accordance with policies and procedures approved by Treasury Board. This includes leasing of real property not currently required by Government programs and the supervision of site clean up and restoration.

Activity in terms of the number of properties sold increased from the previous year but revenues generated from the sales decreased (Chart 5 & 6). There are several high valued properties where time and effort have been expended but the transactions will not be completed till the following fiscal year.

The Agency has carried a reserve fund of $200,000 allocated from its retained earnings specifically to cover fees and disbursements that exceed the value generated by its sales. LMS has expended $67,000 of its resources to cover marginal sales of properties.

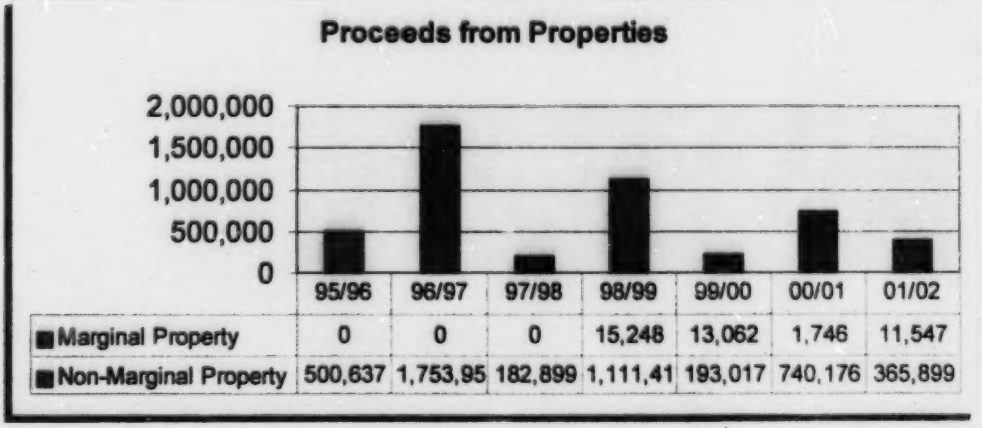
In previous fiscal year the section introduced a pilot project offering the service of site demolition–restoration-clean up, completing four demolition projects including the restoration of 13 building sites. This fiscal year a total of 4 projects and the restoration of 6 building sites were completed. Continued inquiries displaying interest in these services verifies the Agency's previous analysis a market exists for these services and we will continue to implement plans to capitalize on this market.

Chart 5



	95/96	96/97	97/98	98/99	99/00	00/01	01/02
# of Marginal Property	0	0	0	78	58	16	5
# of Non-Marginal Property	85	182	32	49	35	44	70

Chart 6



	95/96	96/97	97/98	98/99	99/00	00/01	01/02
Marginal Property	0	0	0	15,248	13,062	1,746	11,547
Non-Marginal Property	500,637	1,753,95	182,899	1,111,41	193,017	740,176	365,899

3. Future Outlook & Trends

In the mid to late 1950's, the Manitoba Government embarked on three of the largest land acquisition programs in Provincial history. Those projects involved the purchase of land for the Greater Winnipeg Floodway, Bird's Hill Provincial Park and the Perimeter Highway around the City of Winnipeg.

The acquisition programs were undertaken by three separate provincial entities. The land for the Greater Winnipeg Floodway was acquired by a "Floodway Property Committee"; the land for the Bird's Hill Provincial Park was purchased by staff from the "Crown Lands" section of the then Department of Natural Resources; and the Perimeter Highway was purchased by staff in the "Right-of-way" section of the Department of Transportation of the then Department of Public Works.

As each acquisition program progressed, it was determined that there was little consistency in the compensation paid for comparable land, by each entity. In fact, in some cases, the Floodway and Perimeter Highway projects affected the same landowners. However, some of those owners received different compensation from each group for comparable land. It appears the more difficult an owner was to deal with, the greater the compensation paid.

In an effort to bring consistency and uniformity to the process of real estate acquisition by Government, The Land Acquisition Act (the Act) was passed into law in 1965. That Legislation created The Land Acquisition Branch (the Branch) and The Land Value Appraisal Commission (the LVAC). The Branch was made responsible for negotiating all land purchases by the Provincial Government, departments and agencies, with the exception of The Manitoba Agricultural Credit Corporation, The Manitoba Development Fund and utilities.

The Act established specific duties and functions to be followed by the Branch when purchasing land for Government purposes. The LVAC reviewed all purchases and arbitrated compensation disagreements, to ensure all property owners received fair compensation.

It soon became evident that the new and uniform procedures for purchasing land by Government developed a sense of trust in the minds of affected landowners and produced a willingness to negotiate the sale of their property, without the Government resorting to the more costly and often criticized method of expropriating land for Provincial projects.

From its inception, all costs for the staffing and administration of the Branch, other than acquisition costs, were paid from the Consolidated Fund. On April 1, 1995, the Branch was designated a Special Operating Agency, known as Land Management Services (LMS), with a mandate to recover all costs for staffing, administration and acquisition from the client department or agency.

The concept of the client funding the staffing and administration costs that is consistent with the private sector has yet to be accepted by some clients, as well as the "One Stop Shopping" concept for Real Estate Services, as provided by the agency. The uniform procedures established by the Land Acquisition Act, for purchasing land by Government, as well as the landowners sense of trust to fair and equitable treatment are in danger of being lost and future Government land acquisition programs will return to the methods that existed in the 1950's, which were perceived to be inequitable and disorganized.

LMS will be retaining the services of a marketing consultant. One of the tasks of this employee will be to promote LMS as a uniform service provider for all of the Provincial Government as anticipated in the Legislation which created the Land Acquisition Branch.

4. Financial Highlights - 2001/02

		2001/2002	2000/2001 (in thousands)
INCOME STATEMENT	Income before expenses	$ 2,219	$ 3,178
	Expenses	$ 2,067	$ 2,250
	Net Income	$ 152	$ 928
BALANCE SHEET	Working Capital	$ 405	$ 439
	Total Assets	$ 1,895	$ 1,946
	Total Liabilities	$ 1,087	$ 974

5. Performance Highlights - 2001/02

APPRAISAL	Agreements taken	208	208
	Appraisals completed	356	317
	Expropriations	16	58
PROCESSING	Files processed	1,680	2,307
SALES AND LEASING	Sale of property proceeds [1]	$365,899	$771,206
	Proceeds relinquished [2]	0	$ 62,000
	Proceeds marginal sales	$ 11,547	$ 1,746

[1] *Purchase price (before adjustments for taxes and LMS fees) with net proceeds returned to Consolidated Fund, includes rent for properties leased. Revenue generated is dependent on availability and marketability of properties determined to be surplus by LMS's clientele.*

[2] *Assessed/appraised property values not collected for property(s) transferred between Government Departments and other levels of Governments. This amount is in addition to Sale of property proceeds (1). Properties transferred between Government Departments are normally transferred with the receiving Department paying LMS's disposal fees and not the assessed/appraised value of the property.*

6. Management Discussion & Analysis

ACTUAL TO BUDGET FINANCIAL ANALYSIS

Revenues:

LMS offers professional real estate services on a fee-for-service basis, providing an economical rate structure as compared to the private sector, additionally supplying support activities to its clients that are unavailable from existing private sector services. As described in the operational status, LMS is segmented into four client service sections, the Appraisal section, the Processing (Paralegal) section, the Sales & Leasing section, and Special Projects (Administration) section, which handles special requests or projects whose service requirements are not in the norm of the services provided by the other sections.

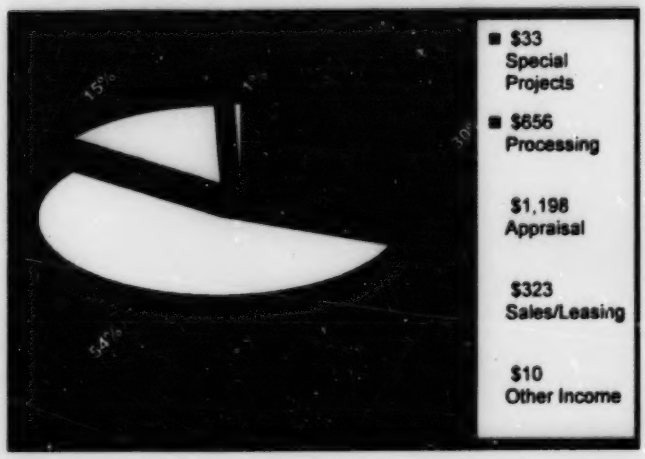
The 2001/2002 fiscal year generated lower than anticipated gross revenues. This is attributed to a combination of factors:

- As an Agency that derives the majority of its revenue from professional billable hours, these were reduced through:
  - < vacant positions
  - < time devoted to training new employees, and training employees when restructuring workflow to take on other duties and tasks relating to succession plans.
  - < Reduced programs and budgets of client departments.
  - < Reduced projects in the area of the review of tax assessments.

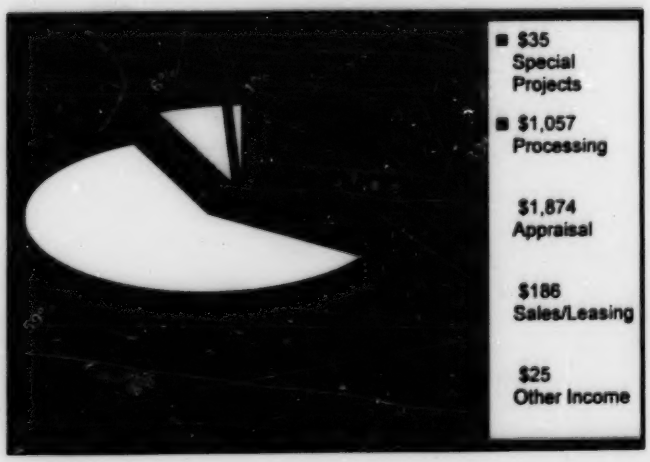
Gross revenues for the fiscal year totaled $2,219, resulting in reduced revenue to budget of $579 and $958 from the previous year.

Source of Revenues
(in thousands)

2001/02



2000/01



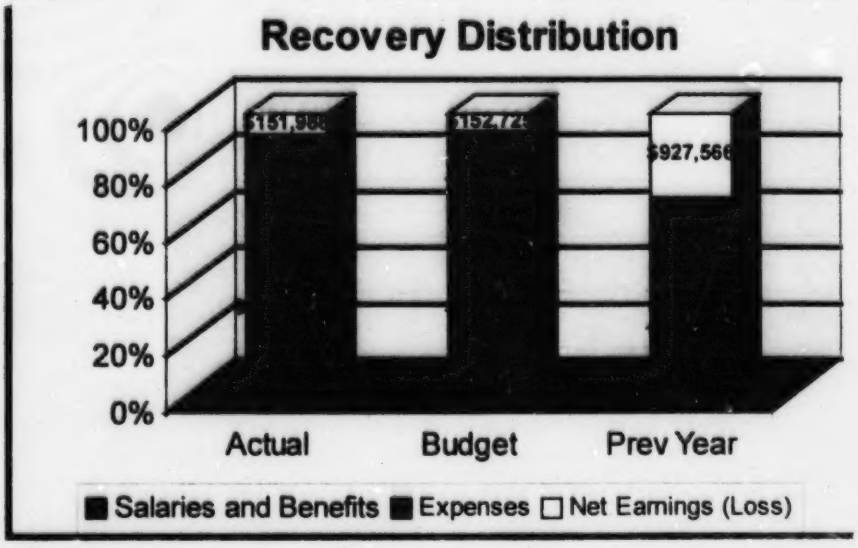
6. Management Discussion & Analysis

EXPENSES:

- **Salaries and Benefits:** As previously expressed vacant positions reduced expenditures to $1,351 resulting in saving of $245.The reported minor saving to previous year of $33 is due to the recalculation last year of pension and severance by the Province at year end.

- **Administrative Expenses:** Total expenses accumulated to $716, a budget reduction of $333 and $149 from the previous year. With reduced revenues, expenses were monitored and successful implementation of cost saving measures were instituted.

A major accomplishment is Land Management Services with the co-operative effort of its employees met the budgeted net income of $152 and continued to deliver quality services in a timely reliable manner. The Agency still faces many challenges but is confident that it will meet the goals, objectives and budgets for the coming year and will complete the succession plans as presented in the 2002/2003 business plan.



7. Advisory Board

Supporting the Initiative: The Advisory Board's role in support of the Agency is to offer advice and direction on short and long-term strategic planning, management and reporting, as well as issues of concern to our customers and to the private and public sectors. The Board meets quarterly to review the Agency's Financial Reports, and annually to review the Business Plan, Annual Report, and any planned changes to the Agency Charter.

CHAIR	Gerry Berezuk A/Deputy Minister Manitoba Government Services & Emergency Measures	
MEMBERS		
Private Sector Representatives	Norm Fiske Partner Sill & Company	Raymond West Retired Chairman of the Board A.E. McKenzie Co. Ltd.
Client Representatives	John Hosang Assistant Deputy Minister Manitoba Transportation	Al Macatavish Retired Vice President Transmissions and Distributions Manitoba Hydro
Ex Officio	Tracey Danowski A/Assistant Deputy Minister Manitoba Governmental Services	Rae P. Csversko Chief Operating Officer Land Management Services
Staff Representative	Fazil Bacchus Property Administrator Land Management Services	

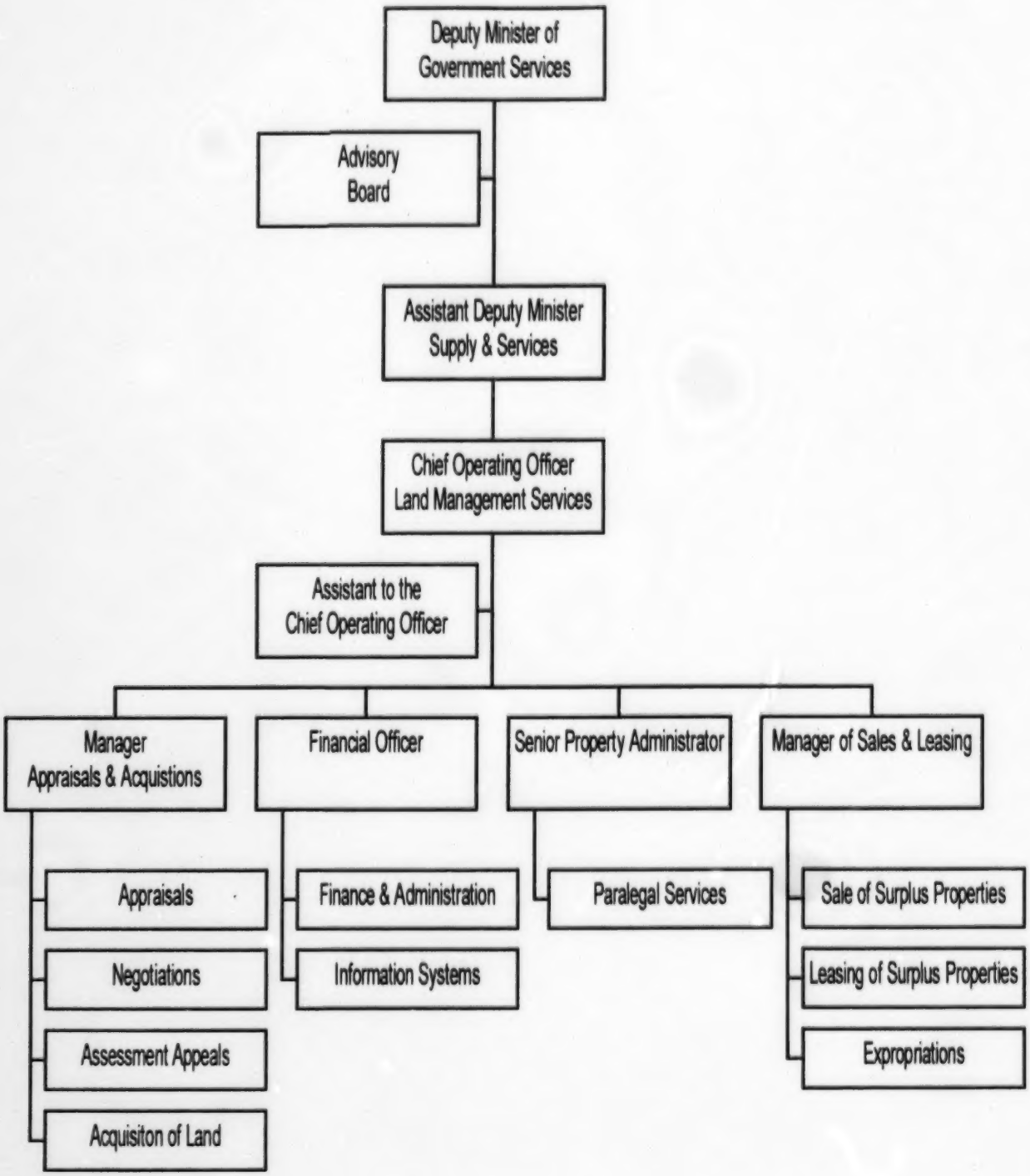
8. Land Management Services Locations & Contacts

Portage la Prairie	308 – 25 Tupper Street North Portage la Prairie MB R1N 3K1	Phone: Fax: Email:	(204) 239-3510 (204) 239-3560 lmsinfo@gov.mb.ca
Dauphin	27 – 2nd Avenue SW Dauphin MB R7N 3E5	Phone: Fax: Email:	(204) 622-2045 (204) 638-6428 efroese@gov.mb.ca

Agency Contacts:

	TELEPHONE	E-MAIL
Rae P. Csversko Chief Operating Officer	(204) 239-3561	rcsversko@gov.mb.ca
Lawrence Mayer Assistant to the Chief Operating Officer	(204) 239-3521	lmayer@gov.mb.ca
Normand LeNeal Finance Officer	(204) 239-3522	nleneal@gov.mb.ca
Vacant Manager, Appraisal & Acquisition		
Rod Kent Manager of Sales & Leasing	(204) 239-3526	rkent@gov.mb.ca
Garry Dyck Senior Property Administrator	(204) 239-3538	gadyck@gov.mb.ca

9. Organization Chart



LAND MANAGEMENT SERVICES

FINANCIAL STATEMENTS
MARCH 31, 2002

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Land Management Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2002 and the statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2002 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

June 17, 2002

CHARTERED ACCOUNTANTS

906 - 386 BROADWAY · WINNIPEG, MANITOBA R3C 3R6 · PHONE (204) 942-4441 · FAX (204) 944-0400

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
MARCH 31, 2002

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash and short term deposits	$ 1,040	$ 899
Accounts receivable	104	206
Surplus properties recoverable (Note 3)	67	-
Work in process	97	69
Prepaid expenses	13	9
	1,321	1,183
DISCHARGE FUNDS HELD IN TRUST (Note 4)	3	-
RECEIVABLE FROM PROVINCE OF MANITOBA (Notes 5 and 10)	324	324
CAPITAL ASSETS (Note 6)	313	439
	$ 1,961	$ 1,946
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 243	$ 271
Accounts payable - Province of Manitoba (Note 8)	-	396
Property proceeds payable (Note 9)	295	-
	538	667
SEVERANCE PAY LIABILITY (Note 10)	235	229
FUNDS HELD IN TRUST	310	77
UNEARNED REVENUE (Note 4)	3	-
	1,086	973
EQUITY		
RETAINED EARNINGS	875	973
	$ 1,961	$ 1,946

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF INCOME AND RETAINED EARNINGS

(in thousands)

FOR THE YEAR ENDED MARCH 31, 2002	2002	2001
RECOVERIES	$ 2,210	$ 3,153
OTHER INCOME	10	25
INCOME BEFORE EXPENSES	2,220	3,178
EXPENSES		
Administrative (Page 9)	578	745
Operating (Page 9)	139	120
Wages and benefits	1,351	1,385
	2,068	2,250
NET INCOME FOR THE YEAR	152	928
RETAINED EARNINGS, beginning of year	973	545
	1,125	1,473
REVENUE SHARING - PROVINCE OF MANITOBA	250	500
RETAINED EARNINGS, end of year	$ 875	$ 973

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)

FOR THE YEAR ENDED MARCH 31, 2002	2002	2001
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net income for the year	$ 152	$ 928
Adjustments for		
Amortization	179	192
Severance pay expense	6	20
	337	1,140
Changes in the following		
Accounts receivable	102	231
Surplus properties recoverable	(67)	-
Work in process	(28)	23
Prepaid expenses	(4)	12
Accounts payable and accrued liabilities	(28)	(92)
Accounts payable - Province of Manitoba	(396)	396
Property proceeds payable	295	-
	211	1,710
FINANCING ACTIVITIES		
Change in accrued pension liability	-	(451)
Revenue sharing - Province of Manitoba	(250)	(500)
Change in funds held in trust	233	(9)
	(17)	(960)
INVESTING ACTIVITIES		
Capital asset additions	(53)	(33)
Change in term deposits	-	385
Change in deferred contribution - Province of Manitoba	-	68
	(53)	420
CHANGE IN CASH AND SHORT TERM DEPOSITS	141	1,170
CASH AND SHORT TERM DEPOSITS, beginning of year	899	(271)
CASH AND SHORT TERM DEPOSITS, end of year	$ 1,040	$ 899

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2002

1. NATURE OF ORGANIZATION

In 1965, The Land Acquisition Act was passed into law, bringing the Land Acquisition Branch into existence to provide a consistent process of real estate acquisition by government

Effective April 1, 1995, the Land Acquisition Branch, under the operating name Land Management Services ("LMS"), was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

LMS is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from LMS operations. It finances LMS through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigourous planning and reporting requirements afforded by Special Operating status, assist LMS to sustain the provision of high quality land acquisition services to its clients.

A Management Agreement between the Financing Authority and the Minister of Government Services assigns responsibility to LMS to manage and account for LMS related assets and operations on behalf of the Financing Authority.

LMS continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, and ultimately the policy direction of the Deputy Minister and Minister of Transportation and Government Services.

LMS remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

LMS is economically dependent on the Province of Manitoba because it derives most of its revenue and all of its financing requirements from the Province through the Financing Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Capital assets

Capital assets are recorded at cost and are amortized annually at the following rates and methods:

Computer software and equipment	20% straight line basis, 10% in year of acquisition
Equipment - office	20% straight line basis, 10% in year of acquisition
Leasehold improvements	20% straight line basis, 10% in year of acquisition

(b) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2002

3. SURPLUS PROPERTIES RECOVERABLE

LMS is responsible for the disposition of certain surplus crown-owned properties. In accordance with direction from the Provincial Treasury Board, LMS has established a $200 reserve account within retained earnings to cover any aggregate annual disposition costs which exceed the proceeds of surplus Crown-owned properties offered for sale. LMS can retain excess proceeds over disposition costs of surplus Crown-owned properties to the extent of any cumulative unrecovered historical shortages.

During the year LMS experienced a $67 shortage. Management is of the opinion that this shortage will be recovered through anticipated excess proceeds in fiscal 2003.

4. DISCHARGE FUNDS HELD IN TRUST AND UNEARNED REVENUE

Discharge funds held in trust and unearned revenue represents the fee for finalizing to consolidate titles on discharge of mortgages on properties being consolidated. This fee is put into a special interest bearing trust account and the revenue deferred. When the mortgage is discharged the deferred revenue will be recognized and the funds released from the trust account. It is estimated some files could be completed in as little as two years and as many as 20 years.

5. RECEIVABLE FROM PROVINCE OF MANITOBA (Note 10)

The receivable from the Province of Manitoba is for vacation and severance entitlements earned by the employees of LMS prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2002	2001
Vacation entitlements	$ 132	$ 132
Severance pay benefits	192	192
	$ 324	$ 324

The timing and collection of these receivables will vary. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of LMS.

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2002	Net Book Value 2001
Computer software and equipment	$ 997	$ 736	$ 261	$ 417
Equipment - office	86	40	46	22
Leasehold improvements	7	1	6	-
	$ 1,090	$ 777	$ 313	$ 439

7. WORKING CAPITAL

LMS has an authorized line of working capital of $800, none of which was accessed at March 31, 2002.

8. ACCRUED PENSION LIABILITY

Employees of LMS are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, LMS transferred to the Province the pension liability for its employees, subject to the following conditions:

- During the 2002 fiscal year, in accordance with the terms of the agreement, LMS transferred to the Province funds equal to the net assets required to discharge its pension obligations as at March 31, 2001.
- Commencing April 1, 2001, LMS is also required to pay to the Province an amount equal to its employees' current pension contributions.

Hence, as at March 31, 2002, LMS has discharged its pension obligations and has no outstanding liability.

9. PROPERTY PROCEEDS PAYABLE

LMS disposes of general Federal, Provincial operating agency and Municipal properties on a cost recovery basis. As at March 31, 2002, LMS had received proceeds on sales in excess of disposition costs of $295 (2001 - $nil) which is outstanding and due to the various entities at year-end.

10. SEVERANCE PAY LIABILITY

Effective April 1, 1998, LMS began recording accumulated severance pay benefits for its employees. The estimate of the liability is based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by LMS's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $188 was completely offset by a receivable from the Province.

An actuarial valuation report of LMS's severance as at March 31, 2000 was completed in prior years. The liability as at March 31, 2001 was restated to $229 and the receivable from the Province was restated to $192 as a result of the actuarial valuation. There was no effect on the severance benefit expense for the year ended March 31, 2001. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the LMS's actuarial liability has been calculated to be $235 as at March 31, 2002.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2002

11.LEASE COMMITMENTS

LMS has not entered into a lease agreement with the Province of Manitoba for rental facilities at 25 Tupper Street N. Occupancy charges for the year ending March 31, 2003 are estimated to be $98 (2002 - $98).

LMS is also leasing computers and vehicles from the Province of Manitoba, with future estimated lease payments as follows:

Year	Amount
2003	$ 91
2004	66
2005	15

12.COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to classifications used in the current year.

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
ADMINISTRATIVE		
Amortization	$ 179	$ 192
Computer maintenance	46	230
Contributed services	38	17
Human resources overhead	18	18
Occupancy costs	112	108
Other	64	61
Supplies	115	109
Training	6	10
	$ 578	$ 745
OPERATING		
Printing, postage and advertising	$ 27	$ 22
Professional fees	33	16
Telephone	30	29
Travel	49	53
	$ 139	$ 120

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2002

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2002	2001
Wes Shewchuk	Property Appraiser	$ 77	$ 56
Raeburn Csversko	Chief Operating Officer	69	65
Garfield Minkus	Property Appraiser	56	55
Scott Millar	Property Appraiser	55	54
Richard Staub	Property Appraiser	55	54
Normand Le Neal	Controller	53	51
Lawrence Mayer	Property Appraiser	51	-

LAND MANAGEMENT SERVICES

FINANCIAL STATEMENTS
MARCH 31, 2002

MAGNUS & BUFFIE
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To Land Management Services

We have audited the statement of receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2002. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2002, in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

June 17, 2002

CHARTERED ACCOUNTANTS

906 - 386 BROADWAY · WINNIPEG, MANITOBA · R3C 3R6 · PHONE (204) 942-4441 · FAX (204) 944-0400

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SALE OF SURPLUS PROPERTIES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

Total receipts	$ 368,950
Total disbursements	140,900
Excess of receipts over disbursements	$ 228,050

NOTE TO STATEMENT OF RECEIPTS AND DISBURSEMENTS
MARCH 31, 2002

REPORTING ENTITY

In 1988, a program submission to the Government to identify and market land surplus to Government needs was approved.

The program was designed to relieve Government departments of the financial burden of marketing and disposal. Proceeds from the sale of surplus properties for all departments are held in trust with all marketing and disposal costs paid from the proceeds. Any surplus of proceeds over costs are returned to the consolidated fund annually.